

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)	
)	
KNIGHT-CELOTEX, LLC, an Illinois limited liability company, and)	Case No. 09-12200
)	Chapter 7
)	
KNIGHT INDUSTRIES I LLC, a Delaware limited liability company,)	Case No. 09-12219
)	Chapter 7
)	
Debtors.)	Hon. Pamela S. Hollis
)	

**FINAL ORDER AUTHORIZING
USE OF CASH COLLATERAL**

This cause coming on to be heard upon the Emergency Motion for Authority to Use Cash Collateral and Provide Adequate Protection (the "*Interim Cash Collateral Motion*") and the Motion for Final Authority to Use Cash Collateral and Provide Adequate Protection (the "*Final Cash Collateral Motion*") and collectively, the "*Motions*")¹ filed by Barry A. Chatz, not individually, but solely as the chapter 7 trustee (the "*Trustee*") for the estates of Knight-Celotex, LLC and Knight Industries I LLC (collectively, the "*Debtors*"); due and proper notice having been provided under the circumstances; the Court having reviewed the Motions and having conducted a final hearing on the Motions; the Court having previously entered First and Second Interim Orders with respect to the Interim Cash Collateral Motion; and the Court being otherwise duly advised in the premises;

IT IS HEREBY ORDERED that:

- A. The Trustee is hereby authorized to collect the income generated by the property pledged to the Bank of America, N.A. ("*B of A*") pursuant to the Loan Documents

¹ Capitalized terms not defined herein shall have the meanings ascribed in the Final Cash Collateral Motion.

(the “*Collateral*”) and the continued operations of the Debtors’ businesses in accordance with the terms and conditions of this Order.

- B. The Trustee has provided a budget to B of A of all projected expenses on a cash basis necessary for operation, preservation and maintenance of the Collateral through and including September 15, 2009 (the “*Budget*”), and shall comply with the Budget up to 105% of the amounts stated therein. A copy of the Budget is attached hereto as Exhibit A and incorporated herein.
- C. The Trustee shall not use, lease, sell or expend directly or indirectly the Collateral or any proceeds, product or offspring thereof, or make any expenditure or incur any liability, except as provided herein. The entry of this Order shall not constitute, or be deemed to be, a waiver of any of B of A’s rights or claims under the Loan Documents or applicable law.
- D. Subject to the provisions of this Order, only the expenses in the amounts indicated in the Budget are deemed to be ordinary, necessary and reasonable expenses for which B of A agrees to the use of its cash collateral.
- E. As “adequate protection” (as defined in section 361 of the Bankruptcy Code) for use of B of A’s cash collateral as authorized in this Order, upon entry of this Order: (i) the Trustee shall make an adequate protection payment to B of A in the amount of \$200,000; and (ii) the Trustee hereby grants to B of A additional and replacement liens and security interests, to the extent of the prepetition liens and security interests, under the terms and conditions of the Loan Documents in and to all assets and property of Debtors of any kind or nature whatsoever, wherever located, including, without limitation, all of Debtors’ now owned, owned as of the

date of conversion of these cases to cases under chapter 7 of the Bankruptcy Code (the "*Conversion Date*"), and thereafter or hereafter acquired, right, title and interest in the Collateral, real property, leases, goods, accounts, accounts receivable, chattel paper, contract rights, instruments, documents, general intangibles, claims against third parties, inventory, machinery, equipment, fixtures, leasehold improvements, goodwill, licenses, patents, trademarks, trade names and franchises, together with all parts and appurtenances thereto, accessions to, renewals, replacements, products and proceeds of, and books and records pertaining to, the foregoing; provided, however, that B of A shall be granted a lien in avoidance actions under sections 544, 547, 548, 549 and 550 of the Bankruptcy Code only to the extent that the value of B of A's collateral declines after the Conversion Date.

- F. All liens and security interests granted pursuant to this Order shall be deemed effective, valid and perfected as of the date of entry of this Order, without the necessity of the filing or lodging by any person of any documents or other instruments otherwise required to be filed or lodged under applicable non-bankruptcy law for the perfection of security interests or mortgages, with such validity and perfection being binding upon any successor entity or entities and upon any and all other creditors of the Debtors who have extended or who may hereafter extend credit to Debtors, or assert a claim of any nature or in any manner whatsoever in these chapter 7 cases, whether or not notice of filing of these bankruptcy cases has been filed in any county or other political or administrative subdivision in which the Debtors' assets are or may ever be

located; **provided, however,** that First Insurance Funding Corp. ("*FIF*") shall hold a valid and superior security interest in all insurance policies listed in the premium finance agreement between the Trustee and FIF (the "*Insurance Financing Agreement*") as well as unearned or returned premiums which may become payable under the policies listed in the Insurance Financing Agreement and loss payments thereof. If B of A shall, in its sole discretion, choose to file such financing statements, mortgages or other documents or otherwise confirm perfection of such security interests and liens, all such financing statements or similar documents shall be deemed to have been filed or recorded at the time and on the date of entry of this Order.

- G. Upon the entry of an order dismissing these cases, or transferring the venue of these cases to another district, this Order shall terminate and be of no further force or effect. The relief granted herein shall be without prejudice to the rights of B of A to seek additional adequate protection or any other relief under the Bankruptcy Code or applicable law, including, without limitation, an administrative claim under section 507(b) of the Bankruptcy Code.
- H. Except as otherwise expressly provided in this Order, the terms and conditions of the Loan Documents shall remain in full force and effect and B of A shall have all of its rights and remedies hereunder, subject to the provisions of the Bankruptcy Code and any orders of this Court. Time is of the essence with respect to the Trustee's performance of the obligations under this Order.
- I. Any and all property and casualty insurance policies held by or in the name of Debtors and/or the Trustee shall list B of A as loss payee, and any and all liability

insurance policies held by or in the name of Debtors and/or the Trustee shall list B of A as an additional insured.

- J. On each Tuesday of each week, commencing on July 21, 2009, the Trustee shall deliver to B of A a weekly operating report for the immediately preceding week, as well as any other reports which it is required to file pursuant to the United States Trustee's requirements, and shall serve a copy of same on counsel for B of A. Such weekly operating report shall include a line item accounting of all receipts and expenses on a cash basis for such week in the same format (and with the same line items) as Exhibit A hereto. All weekly accountings submitted by the Trustee to B of A shall be in a format that permits B of A to make a meaningful determination of the Trustee's compliance or non-compliance for each line item in the Budget.
- K. This Order shall continue in effect until September 15, 2009, unless extended pursuant to written agreement of the Trustee and B of A and approval of this Court.
- L. Except as otherwise provided herein, if any or all of the provisions of this Order are hereafter modified, vacated or stayed by subsequent order of this or any other Court, such stay, modification or vacation shall not affect the validity of the secured claims of B of A incurred by the use of cash collateral pursuant to this Order and which are incurred prior to the effective date of such stay, modification or vacation, or the validity and enforceability of any lien, security interest, right or priority authorized pursuant to this Order with respect to any such use of cash collateral, and notwithstanding such stay, modification or vacation, any use of

cash collateral of B of A made pursuant to this Order prior to the effective date of such modification, stay or vacation shall be governed in all respects by the original provisions of this Order and B of A shall be entitled to all the rights, privileges and benefits, including the security interests granted herein with respect to all such use.

M. The provisions of this Order shall be binding upon and inure to the benefit of B of A, the Trustee and their respective successors and assigns.

N. This Order entered on the Motion is in a "core" proceeding as defined in 28 U.S.C. § 157(b)(2)(M), and is a final order, immediately valid and fully effective upon its entry.

Dated: JUL 14 2009

ENTER: 
United States Bankruptcy Judge

1855810v2

EXHIBIT A

KNIGHT CHAPTER 7 BUDGET

Personnel - Sale Team/Skeleton Crew

Will Gruenhorff - Sales Director - Located in San Diego, CA
 Tracey Clatterback - Danville Plant Manager - Located in Danville, VA
 Steve Healy - Lisbon Falls Plant Manager - Located in Lisbon Falls, ME
 Aaron Chase - Supply Chain Manager
 John Silvestri - Environmental Manager - Located in Lisbon Falls, ME

Lisa Rogers

Jason Huett

Tom Marinelli

Dana Spurgeon

Kristen Kelley Payroll person

Lalimore Bruns (AP Clerk 32/hr)

Yvonne (AP Clerk for one week at 27/hr)

Lisbon Hourly Inventory Shipping

Danville Hourly Inventory Shipping

Ailion Prof Staffing

Performance Bonus

Total Staff Compensation

Travel Expenses - Sale related

Expenses Accrued By Sale Team (Apr - May - June)

Huett

Chase

Rogers

Clatterback

Gruenhorff

Montgomery

Hourly Payroll - 6-6 Thru 6-10

Danville

Lisbon Falls

Millington

Sunbury

Payroll Processo-Centian

Final two payrolls

Final W-2's to employee/Payroll Reports

Termination of 401(k) plan, estimated

Plant Costs

Property & WC Ins. & Brokerage Fee.

D&O Policy, 1/09 thru 1/2010

General Liability Renewal at 6/24/09

Security - Sunbury

Security - Lisbon Falls

Security - Danville

Electric Demand - Sunbury - PPL Electric Utilities

Sunbury - All other utilities

Electric Demand - Lisbon Falls - SEMBRA ENERGY SOLUTIONS, LLC

Electric Delivery - Lisbon Falls - Central Maine Power

Gas - Lisbon Falls - Northern Utilities

Lisbon - Water/Sewer

Electric Demand - Danville - APPALACHIAN POWER COMPANY

Water-Danville

Gas-Water City of Danville

Rent-Northfield

Move IT Equip and reconfigure routers/communication

IT Outside Service

	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug	14-Aug	21-Aug	28-Aug	4-Sep	11-Sep	18-Sep	Total
Personnel - Sale Team/Skeleton Crew																
Will Gruenhorff - Sales Director - Located in San Diego, CA		2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	2,738	36,338
Tracey Clatterback - Danville Plant Manager - Located in Danville, VA		2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	31,586
Steve Healy - Lisbon Falls Plant Manager - Located in Lisbon Falls, ME		1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	1,945	27,233
Aaron Chase - Supply Chain Manager		1,787	1,787	1,787	1,787	1,787	1,787	1,787	1,787	1,787	1,787	1,787	1,787	1,787	1,787	25,012
John Silvestri - Environmental Manager - Located in Lisbon Falls, ME		1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	26,492
Lisa Rogers		2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	41,300
Jason Huett		3,585	3,585	3,585	3,585	3,585	3,585	3,585	3,585	3,585	3,585	3,585	3,585	3,585	3,585	50,185
Tom Marinelli					2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	26,631
Dana Spurgeon			1,046		2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	2,421	26,631
Kristen Kelley Payroll person		1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	17,920
Lalimore Bruns (AP Clerk 32/hr)			1,120	1,120	1,000	1,000	1,000	1,000								5,240
Yvonne (AP Clerk for one week at 27/hr)			1,000	1,000	1,000	1,000	1,000									4,000
Lisbon Hourly Inventory Shipping			1,000	1,000	1,000	1,000										4,000
Danville Hourly Inventory Shipping			1,000	1,000	1,000	1,000										4,000
Ailion Prof Staffing					4,521											4,521
Performance Bonus																
Total Staff Compensation		18,433	22,599	21,553	30,796	26,275	24,275	23,275	23,275	23,275	23,275	23,275	23,275	23,275	23,275	405,135
Travel Expenses - Sale related			2,000		2,000		2,000		2,000		2,000		2,000		2,000	14,000
Expenses Accrued By Sale Team (Apr - May - June)																
Huett			5,381													5,381
Chase			489		1,545											2,034
Rogers			2,100		2,600											4,700
Clatterback																
Gruenhorff			53													53
Montgomery			112													112
Hourly Payroll - 6-6 Thru 6-10																
Danville		18,494														18,494
Lisbon Falls		26,059														26,059
Millington		1,125														1,125
Sunbury		1,388														1,388
Payroll Processo-Centian																
Final two payrolls		4,000														4,000
Final W-2's to employee/Payroll Reports					10,000											10,000
Termination of 401(k) plan, estimated					15,000											15,000
Plant Costs																
Property & WC Ins. & Brokerage Fee.																
D&O Policy, 1/09 thru 1/2010																
General Liability Renewal at 6/24/09	74,835		18,500		34,202	3,288		6,975		34,202	3,288	6,975		34,202	3,288	170,041
Security - Sunbury	1,344	2,688	2,688	2,688	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	3,900	52,308
Security - Lisbon Falls	1,581	3,162	3,162	3,162	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	42,967
Security - Danville	1,150	2,300	2,300	2,300	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	31,150
Electric Demand - Sunbury - PPL Electric Utilities			12,750	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	6,375	89,250
Sunbury - All other utilities			750	375	375	375	375	375	375	375	375	375	375	375	375	5,250
Electric Demand - Lisbon Falls - SEMBRA ENERGY SOLUTIONS, LLC			6,975	3,488	3,488	3,488	3,488	3,488	3,488	3,488	3,488	3,488	3,488	3,488	3,488	48,821
Electric Delivery - Lisbon Falls - Central Maine Power					3,300											3,300
Gas - Lisbon Falls - Northern Utilities																undetermined
Lisbon - Water/Sewer			2,000													2,000
Electric Demand - Danville - APPALACHIAN POWER COMPANY			16,500	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	8,250	90,750
Water-Danville			1,000													3,500
Gas-Water City of Danville																undetermined
Rent-Northfield			21,500		21,500											64,500
Move IT Equip and reconfigure routers/communication																50,000
IT Outside Service			5,000													10,000

KNIGHT CHAPTER 7 BUDGET

Communications Infrastructure
 Equivoice - Corp Internet Host
 Navisite - Email Spam - without email will not be received
 Acc Business - Internet Danville
 ATT Wireless - Cell Phones
 Verizon - Danville
 One Communication - Lisbon Internet and Phones
 Cimco - Phone host for Corp
 Halconic - If we want messages posted on websites

Contingencies/Misc/Unknown

Professional Fees:
 Trustee Fee-(Statutory, to be paid from Sale Proceeds)
 Trustee Expenses
 Counsel for Trustee - Freeborn & Peters LLP
 Financial Advisor to Trustee - DSI
 DSI Expenses, potential travel to plant sites
 Final tax corp tax return preparation

Total Expenses

	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug	14-Aug	21-Aug	28-Aug	4-Sep	11-Sep	18-Sep	Total
			2,275		2,275		2,275				2,275			2,275		9,100
			224		224		224				224			224		894
			600		600		600				600			600		2,400
			7,000		7,000		7,000				7,000			7,000		28,000
			1,200		1,200		1,200				1,200			1,200		4,800
			1,600		1,600		1,600				1,600			1,600		6,400
			2,200		2,200		2,200				2,200			2,200		8,800
			1,125		1,125		1,125				1,125			1,125		4,500
			2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	32,500
																statutory
																7,500
	2,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	142,000
2,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	244,500
			3,000					3,000								6,000
																undetermine
82,910	107,649	177,783	80,691	184,118	86,163	102,386	95,638	117,963	170,652	101,386	92,638	70,713	116,126	151,888	1,738,704	